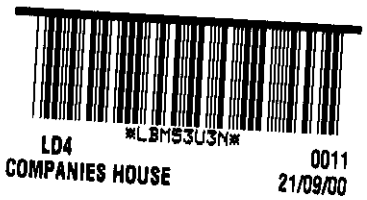
Company No: 3460392

DEVON CHALETS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1999



DEVON CHALETS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1999

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DIRECTORS AND OFFICERS

DIRECTORS

W K Procter

SECRETARY

L Thomas

REGISTERED OFFICE

Euro House
131/133 Ballards Lane
London N3 1GR

AUDITORS

Baker Tilly
Chartered Accountants
The Clock House
140 London Road
Guildford
Surrey
GU1 1UW

DIRECTORS' REPORT

The directors submit their report and the financial statements for the year ended 31 December 1999.

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those financial statements, the Directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and estimates that are reasonable and prudent; and
c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities

The principal activity of the company during the year was that of property investment.

Review of the business

The Directors are satisfied with the financial position of the Company.

Dividends

The Directors do not recommend the payment of a dividend.

Investment property

The investment property held at 31st December 1999 was valued by William M. Mercer Limited at £3,919,871 (1998: £1,020,000). This resulted in a valuation surplus of £2,885,711.

Directors and their interests

The directors who served during the year, together with their dates of appointment and resignations, were as follows:

W K Procter	
R M Spiro	(resigned 25 August 1999)
M S J Harden	(resigned 2 December 1999)
R S Carlowe	(appointed 21 October 1999, resigned 14 March 2000)
N D Lawton	(appointed 21 October 1999, resigned 17 March 2000)

W K Procter had an interest in 6 ordinary £1 shares as at 31 December 1999 (1998: 6 ordinary £1 shares).

DIRECTORS' REPORT (continued)

Year 2000

A centrally managed and co-ordinated programme was undertaken to address the impact on the business of the Year 2000 and this was completed before the end of 1999. All computer systems, telecommunication and other technical systems were assessed. The incremental cost of this programme was not material.

Subsequent to this review, it appears that the Company's systems and processes are Year 2000 compliant, and the directors anticipate that this will continue to be the case.

Auditors

Pursuant to an elective resolution the Company has elected not to re-appoint its auditors annually and Messrs Baker Tilly will continue in office in accordance with the provisions of section 386 of the Companies Act 1985.

By order of the Board,

W K Procter
Director
14/9/ 2000

AUDITORS' REPORT TO THE MEMBERS OF DEVON CHALETS LIMITED

We have audited the financial statements on pages 5 to 11, which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described in the directors report, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, are consistently applied and are adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 1999 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly

BAKER TILLY

Chartered Accountants
and Registered Auditors

The Clock House
140 London Road
Guildford
Surrey GU1 1UW

14/9/2000

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1999

	Note	Year ended 31 December 1999 £	Period ended 31 December 1998 £
Turnover	2	**127,021**	126,025
Administrative expenses		**(38,795)**	(53,557)
Operating Profit		**88,226**	72,468
Interest payable	3	**(60,999)**	(62,713)
Profit on Ordinary Activities before taxation	4	**27,227**	9,755
Tax on profit on Ordinary Activities	6	**(7,657)**	(3,074)
Profit for the financial year	13	**£ 19,570**	£ 6,681

All amounts relate to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		£	£
Profit for the financial year		**19,570**	6,681
Unrealised surplus on valuation of properties	13	**2,885,711**	236,495
Total recognised gains and losses for the year		**£ 2,905,281**	£ 243,176

BALANCE SHEET

AT 31 DECEMBER 1999

	Note	1999 £	1998 £
Fixed assets			
Tangible assets	7	**3,919,240**	1,020,000
Current assets			
Debtors	8	**325,017**	180,422
Cash at bank & in hand		**200**	200
		325,217	180,622
Creditors: amounts falling due within one year	9	**(387,440)**	(327,886)
Net current liabilities		**(62,223)**	(147,264)
Creditors: Amounts falling after one year	10	**(708,360)**	(629,360)
Net assets		**£ 3,148,657**	£ 243,376
Capital and reserves			
Called up share capital	12	**200**	200
Revaluation reserve	13	**3,122,206**	236,495
Profit and loss account	13	**26,251**	6,681
Shareholders' funds	13	**£ 3,148,657**	£ 243,376

Approved by the Board on 14/9/ 2000 and signed on its behalf by:

W K Procter
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31DECEMBER 1999

1. **Accounting policies**

The following accounting policies have been used in dealing with items which are considered material in relation to the financial statements.

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

In preparing the accounts on the going concern basis the directors have highlighted the Company's deficiency of current assets. A related party, Rotch Property Group Limited, has agreed to provide financial support, as and when required, in order for the Company to meet its external obligations. On this basis the directors consider it appropriate to prepare the financial statements on the going concern basis.

Investment properties

In accordance with Statement of Standard Accounting Practice No 19:

- investment properties are re-valued annually and the aggregate surplus or deficit is transferred to a revaluation reserve; and
- no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

This treatment, as regards certain of the Company's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets.

However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount, which might otherwise have been shown, cannot be separately identified or quantified.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets other than freehold land and investment properties at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Equipment	20%

Turnover

Turnover comprises rents receivable and administration fees from investment properties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1999

1. **Accounting policies (continued)**

Deferred taxation

Provision is made for deferred taxation in respect of liabilities that are anticipated to crystallise in the foreseeable future. No provision is made for any liability to tax that would arise in the event of a disposal of investment properties at their re-valued amounts. However, an estimate of this liability is given in note 10.

Cash flow statement

The company is exempt from the requirement to prepare a cash flow statement by virtue of its size.

2. **Turnover**

	Year ended 31 December 1999	Period ended 31 December 1998
Rent receivable	**126,605**	125,579
Other	**416**	446
	£ 127,021	£ 126,025

3. **Interest payable**

	Year ended 31 December 1999 £	Period ended 31 December 1998 £
Bank loans	**60,626**	55,648
Loans from related parties	**-**	7,065
Hire purchase interest	**373**	-
	£ 60,999	£ 62,713

4. **Profit on ordinary activities before taxation**

	Year ended 31 December 1999 £	Period ended 31 December 1998 £
This is stated after the following:		
Auditors' emoluments	**£ 2,500**	3,000

5. **Employees and directors**

There were no employees during the year, other than the directors, who received no remuneration.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1999

6. Taxation	Year ended 31 December 1999 £	Period ended 31 December 1998 £
United Kingdom corporation tax at 31%	£ 7,657	£ 3,074

7. **Tangible fixed assets**

	Freehold investment properties	Equipment	Total
Cost/valuation			
At 1 January 1999	1,020,000	-	1,020,000
Additions	5,160	10,300	15,460
Revaluation surplus	2,885,711	-	2,885,711
At 31 December 1999	3,910,871	10,300	3,921,171
Depreciation			
At 1 January 1999	-	-	-
Charge in year	-	1,931	1,931
At 31 December 1999	-	1,931	1,931
Net book value			
At 31 December 1999	**3,910,871**	**8,369**	**£ 3,919,240**
At 31 December 1998	1,020,000	-	£ 1,020,000

The historical cost of the properties was £788,866 (1998:£783,506).

The investment properties were revalued by William M. Mercer Limited on an actuarial basis as at 31 December 1999.

8. Debtors	1999 £	1998 £
Trade debtors	**46,478**	32,418
Amounts owed by related parties	**276,634**	145,004
Other debtors	**1,905**	3,000
	£ 325,017	£ 180,422

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1999

9. Creditors: Amounts falling due within one year	1999 £	1998 £
Bank loan	**21,000**	19,200
Amounts owed to related parties	**297,848**	249,872
Other taxes and social security	**5,133**	3,841
Corporation tax	**10,731**	3,074
Other creditors	**7,991**	-
Accruals and deferred income	**44,737**	51,899
	£ 387,440	£ 327,886

10. Creditors: Amounts falling due after more than one year	1999 £	1998 £
Bank loan	**£ 708,360**	629,360

The bank loan is secured on the Company's investment properties. It bears interest at a fixed rate of 8.5%. The loan is repayable as follows:

Within one year	**21,000**	19,200
Within one to two years	**22,000**	21,000
Within two to five years	**67,000**	65,000
	110,000	105,200
After five years	**619,360**	543,360
	729,360	648,560
Less: included in current liabilities	**(21,000)**	(19,200)
	£ 708,360	£ 629,360

11. **Provisions for liabilities and charges**

Deferred taxation

No provision for deferred taxation has been made in respect of the property held as an investment which is included in these financial statements at a valuation of £3,910,871 (1998: £1,020,000). It is estimated that if this property were to be sold at that valuation the tax liability would amount approximately to £935,000 (1998: £73,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1999

12. **Share capital**

	1999 £	1998 £
Authorised:		
200 Ordinary Shares of £1each	**£ 200**	£ 200
Allotted, issued and fully paid:		
200 Ordinary Shares of £1 each	**£ 200**	£ 200

13. **Reserves and reconciliation of movements in shareholders' funds**

	Revaluation reserve £	Share capital £	Profit and loss account £	Total shareholders' funds £
At 1st January 1999	236,495	200	6,681	243,376
Profit for the financial year	-	-	19,570	19,570
Revaluation surplus	2,885,711	-	-	2,885,711
Balance at 31st December 1999	**£ 3,122,206**	**£ 200**	**£ 26,251**	**£ 3,148,657**

14. **Parent Company and controlling party**

The parent company is Pericom Limited, a company incorporated in the British Virgin Islands.

The ultimate controlling party is the Tchenguiz Family Trust.

15. **Contingent liabilities**

The Company is party to cross-guarantees in support of loans made available to the company and related parties under a single facility. The company's properties form part of the security on these loans. The total value of the loans subject to these cross-guarantees, including the loan to the company, amounted to £5,890,261 at the balance sheet date.

16. **Introduction of the Euro**

All relevant parts of the Company will be able to handle Euro transactions when required, the Euro has had no impact on the Company as at 31 December 1999.

17. **Related party transactions**

The company provides funding to, and receives funding from, certain companies controlled by the Tchenguiz Family Trust. The sums are disclosed as amounts owed to and amounts owed by related parties, and interest payable to related parties.